



**CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES**

150 York Street, Suite 200, Box 90, Toronto, Ontario M5H 3S5
Tel 416.913.8260 Fax 416.850.9235 www.cpab-ccrc.ca

March 11, 2010

THIS LETTER IS ADDRESSED TO ALL CANADIAN REPORTING ISSUERS

Re: Canadian Public Accountability Board (CPAB) 2010 Annual Participation Fee

As the Annual Participation fee charged by the Canadian Public Accountability Board (CPAB) affects the audit firms that audit reporting issuers as well as the reporting issuers, we believe it is important to communicate the progress being made by CPAB in its continuing development.

CPAB was formed in 2003, following some high-profile accounting and auditing failures in the United States, with the mandate to contribute to public confidence in the integrity of financial statements of reporting issuers in Canada by promoting high quality independent auditing. It does this primarily by inspecting participating audit firms to verify that their processes and procedures are robust relative to GAAP and GAAS requirements. CPAB is not responsible for the quality of audits nor the quality of financial statements, which remains the responsibility of auditors and reporting issuers. However, CPAB has added to audit quality by identifying a number of issues at audit firms that required improvement and that have received appropriate attention. CPAB is broadly satisfied with the quality of auditing of reporting issuers in Canada, but recognises that the environment will remain challenging.

The CPAB Board believes that CPAB must move to an enhanced stage in order to continue to fulfill its mandate effectively in these challenging times, which include the challenges of increasing complexity in financial reporting and the transition to International Financial Reporting Standards (IFRS) and International Auditing Standards in Canada. Additional development of CPAB's capabilities to deal with these challenges effectively, and increased inspection activity is necessary. As a result, CPAB is increasing its budget by some 15% from 2009 to 2010. CPAB's costs are recovered from audit firms and their reporting issuer clients as a percentage of their billings. The budget increase coupled with changes to our fee base means that CPAB's fees charged to Canadian Reporting Issuers will raise from 1.6% to 2.0% of their audit fees.

This is the first time since CPAB's inception in 2003 that the fee has been increased. We understand the economic environment is currently challenging, which is why CPAB has also put in place efficiencies and productivity gains that have partially but not fully offset the pressures on CPAB's operations.

As part of its new strategic plan CPAB will evolve its inspection methodology, systems, processes and people to provide continued oversight in a way that meets the expectations of stakeholders and the international community. The move to IFRS is the biggest change to

financial reporting in Canada in recent history that will require CPAB to make significant investments in training and development as well as building its consultation capabilities. Significant investments must also be made in inspection methodology and related systems to ensure our methodology incorporates the new international standards and delivers on our strategic objectives. The software system that CPAB currently uses to document its inspection activities has not changed significantly since CPAB was formed and is in urgent need of upgrade. Similarly in human resource management, stakeholder relations, legislative and regulatory affairs there needs to be greater investment and focus for CPAB to deliver quality and relevance as a world class 21st century audit regulator. These initiatives address the need to evolve CPAB's inspection methodology to one that is more strategic, provides greater risk assessment, and increases inspection efficiency and adds more relevance to participating firms.

In 2010 CPAB will expand its inspection activity to include more Regional and Local firms and extend its inspection coverage at the six National accounting firms. CPAB inspected 34 firms in 2009 and has set a target of 50 firm inspections per year by 2012. Additional inspections of foreign firms and firms inspected by the provincial audit regulators, on a risk-based targeted review, will also be undertaken. Increased inspection resources and an inspection methodology tailored to the Regional/Local firm will be key to implementing this initiative. A material part of this plan will be accomplished through a rebalancing of current inspection staff, resulting in significant productivity gains.

CPAB has looked beyond 2010 and expects that it will be able to meet its initiatives for the next several years without further increases to its levy.

CPAB intends, through the aforementioned measures, to maintain and enhance its position as one of the leading audit regulators in the world. Moving to this next stage of development will assist CPAB to provide value added feedback on audit quality to audit firms, drive greater productivity and accountability, and allow CPAB to contribute more effectively to the development of accounting and auditing standard and public confidence in financial reporting.

We encourage you to visit our website www.cpab-ccrc.ca to review our strategic plan for further information on CPAB and its strategic objectives.

Yours very truly,

Brian A. Hunt, FCA
Chief Executive Officer